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3 MAY 1969

MEMORANDUM FOR DR. FOSTER

SUBJECT: Immediate Alternatives for MOL

You asked that we develop an option that would significantly reduce MOL commitments but that would not commit us to cancellation. This memorandum describes such an option.

There are three alternatives for decision by May 15 that we have costed:

1. Continue the present MOL program at a level consistent with availability of \$525 M in FY 70 and decide on July 1 whether to proceed with an unmanned system.
2. Reduce the MOL program to a sustaining level and decide on July 1 whether to accelerate a manned system, continue at a sustaining level, or proceed with an unmanned system. This is the option you requested. Under this option we would terminate some contracts and start immediately to lay off 35-40% of the work force. We would greatly curtail buy of new materials and would stretch-out deliveries. Under this option, the Congress and the public would need to be informed immediately that we were cutting back and stretching out the system by another year in order to save about \$160 million in FY 70 (i. e. if we continue in July with this option, FY 70 funds of \$360 M would be needed).
3. Proceed immediately with an unmanned system.

The following table compares the cost of each option in NOA needed for the FY 69-FY 70 time periods:

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2.

July 1 decision

May 15 Decision

	<u>Manned System</u>	<u>Unmanned System</u>
Alt. 1 - Continue MOL	\$525 M	\$239 - 249 M
Alt. 2 - Reduce MOL to sustaining level	\$525 M	\$213 - 219 M
Alt. 3 - Develop unmanned system	Not considered	\$200 M

Some key conclusions of this analysis:

1. If we reduce to a sustaining level now and decide to proceed with the full manned system in July, we will have delayed the program by 75-90 days and increased total development costs by \$75-100 M.

2. If we reduce to a sustaining level now and then proceed with an unmanned system, we will achieve about 2/3 of the savings that would be possible by deciding now/on an unmanned system. (rather than July 1)

(S) Herb

Herbert D. Benington
Acting Deputy Director
(Electronics & Information Systems)

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